



NEWS RELEASE

CALIFORNIA STATE TREASURER PHILIP ANGELIDES

FOR IMMEDIATE RELEASE

February 20, 2002

CALIFORNIA SELLS \$1 BILLION IN BONDS

First phase of Strategic Debt Management Plan takes effect

SACRAMENTO, CA - California State Treasurer Philip Angelides sold \$1 billion in General Obligation bonds today. The sale began the implementation of the Treasurer's new Strategic Debt Management Plan that was announced in January 2002.

"Today's sale marks the beginning of our plan to save taxpayers money on infrastructure financing," Angelides said. "This is a prudent, reasonable strategy that will help California get through the lean times, and achieve savings in the near and long term," he added.

The bonds were issued in a competitive sale. Merrill Lynch & Co. secured the winning bid with the lowest true interest cost of 5.0940%. The bond ratings remained unchanged at AA (Fitch Ratings), A1 (Moody's Investors Service) and A+ (Standard and Poor's).

Proceeds of the bond issue will fund various projects throughout California including new school construction, modernization of existing classrooms for K-12 schools, state colleges and universities, upgrading safety at neighborhood parks, improvements in air quality, water quality, and coastal protection, and seismic retrofitting.

Today's sale was the first bond issue structured with level annual debt service, and deferral of principal payments for four years. This structure represents a change from the State's historic practice of bond issuance with level annual principal payments. The change will more evenly distribute the costs of infrastructure projects over the life of the project and, through the deferral of principal in the early years, will bring partial relief to the State General Fund.

The remaining elements of the Strategic Debt Management Plan – including variable rate debt and restructuring of some existing debt – will be phased in over future bond sales.

#